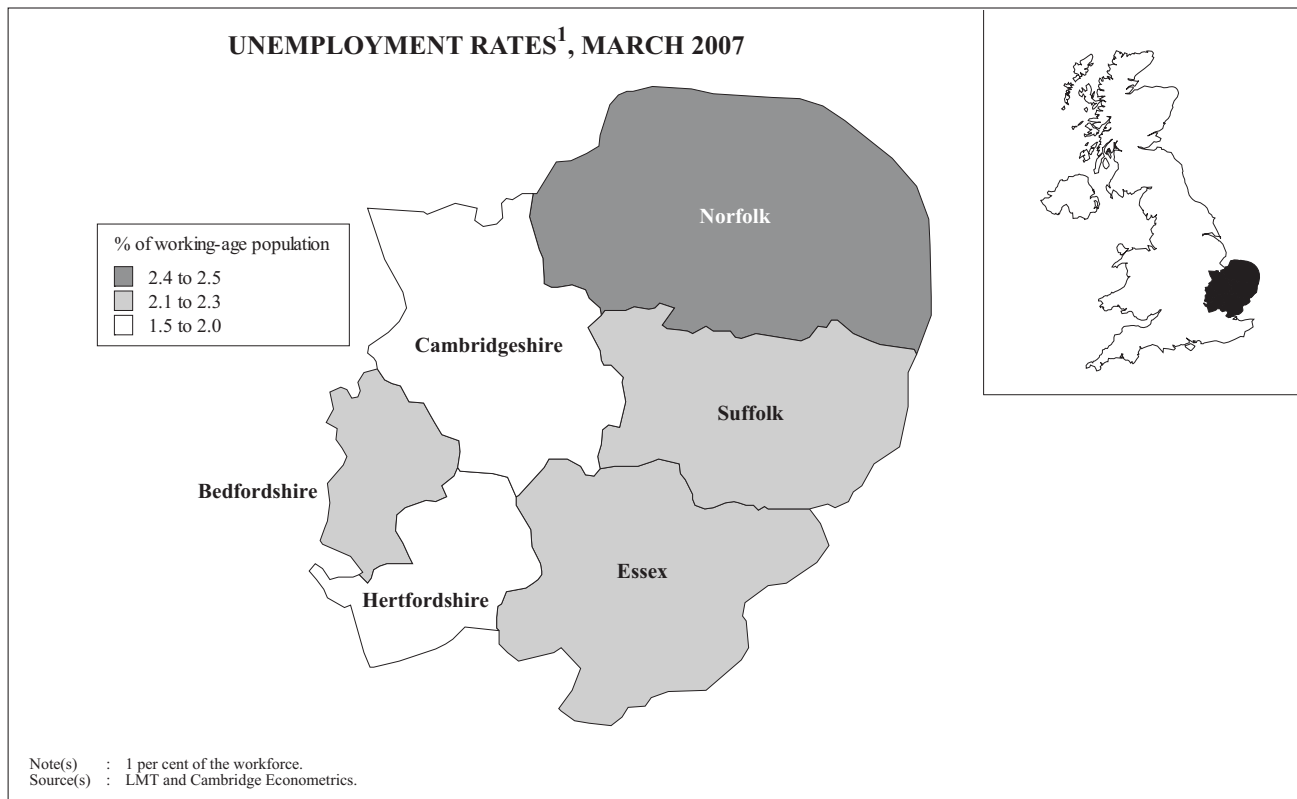


REGION 3: THE EAST OF ENGLAND



GVA growth accelerated strongly in the East of England from 2¼% in 2005 to 3½% in 2006. Both services and manufacturing achieved higher growth rates in 2006; only construction suffered a slowdown. However, there are enough large-scale projects in the region to keep the average growth rate for construction over the five-year period 2005-10 at between 2% and 2½% pa, just as it was over 2000-05.

In 2007 and 2008 GVA growth is expected to slow by about ½ pp in each year, but still to be at least 2½%.

The stronger growth in manufacturing in 2006 was attributable largely to an improved performance by the region's more substantial industries: Mechanical Engineering, Electronics and Transport Equipment. These are expected to be the best performers during the next two years. The largest manufacturing industry, by contrast, Food, Drink & Tobacco, is going through a period of restructuring and its output growth is expected to remain weak for several years, while its employment declines. Among services, those oriented to household spending and business activities performed particularly well in 2006. This growth pattern is expected to continue at least in the short term.

Employment increased by an estimated 2¼% in 2006 and there is expected to be an increase of about 1¼% in 2007 and ¾% in 2008. Transport & Communications and

Non-financial Business Services are the main drivers of employment growth in services. There was an increase of almost 1% in manufacturing employment in 2006 when several years of sharply declining employment came to an end. Electronics and Transport Equipment were the main sources of new jobs. In 2007 jobs growth in these industries is expected to be weaker, but still sufficient to give manufacturing as a whole only a marginal decline in employment over the whole period 2005-10, in sharp contrast to the average decline of 4% pa seen over 2000-05.

Despite the recovery in employment growth in 2006, the claimant-count rate rose to 2.4% in 2006Q2 and was still at that rate in 2007Q1, while the ILO rate rose to 5% in 2006Q2 but had fallen to 4.7% by early 2007.

The East of England has long been a net importer of labour. Home Office data show that the numbers of people from the new member states coming to work in the East of England are higher than for any other region of the UK including London and the South East.

House-price inflation in the East of England was in double digits until the downward path from the peak of 22.5% in 2003Q3 took the index to 9.6% in 2004Q4. Inflation continued to slow down until a fall in house prices of nearly 1% in 2005Q4. Thereafter house-price inflation began to rise again. According to data from the

Halifax, it reached 11.5% in 2007Q1 and then slowed to 10.9% year-on-year in 2007Q2. Tighter monetary policy will probably cool the housing market but any sharp reaction is likely to be short-lived.

The East of England has established a broad-based economy relying on high-technology industry and high-quality services in areas for which demand is likely to remain strong: electronics and software, food processing, industries related to tourism, transport & communications and high-level financial and other business services. It does not rely preponderantly on any one or small number of activities and it is not heavily dependent on industries that are turning into producers of commodities.

The growth rates for output and employment in the East of England are normally very close to the UK average, and this pattern is expected to continue until the economy of this region begins to grow more rapidly than the UK average after about 2013.

In Hertfordshire, and the western parts of Essex and Cambridgeshire there is growth in the London travel-to-work area and the spread of economic activity along the M40 and M11 corridors and along the A1. To the north of Cambridge, Peterborough is attracting companies and people because it has more land and lower costs than Cambridge, while being on the main road and rail routes between London and the north. Bedfordshire is also affected by the movement of companies from London to the Luton-Dunstable area and by the growth of an economic corridor between London and Milton Keynes (in Buckinghamshire). In Norfolk and Suffolk, Norwich and Ipswich are centres for economic and population growth, and King's Lynn is becoming such a centre. Norfolk and Suffolk also attract a large number of retired people. Although some of the coastal cities, notably Yarmouth and Lowestoft, are suffering from long-term economic decay, others, particularly the larger ports (Felixstowe and Harwich) are growth points. These forces help to explain why the working-age population and the workforce are forecast to grow faster than the total population.

Current plans propose substantial amounts of new housing in the East of England by 2021: in Essex (about 124,000), Cambridgeshire & Peterborough (about 90,000), Hertfordshire (more than 80,000), Norfolk (more than 75,000), Suffolk (more than 60,000) and Bedfordshire (about 59,000).

The floods of June 2007 did not affect the East of England, but they have highlighted how exposed this region also is to flooding, especially if the sea level rises by 40 centimetres, a change that seems unavoidable by the end of the century but which could come about as early as 2040.

